

VZCZCXRO5026
RR RUEHLN RUEHPOD RUEHVK RUEHYG
DE RUEHMO #2901/01 2741450
ZNR UUUUU ZZH
R 301450Z SEP 08
FM AMEMBASSY MOSCOW
TO RUEHC/SECSTATE WASHDC 0172
INFO RUCNCIS/CIS COLLECTIVE
RUEHDX/MOSCOW POLITICAL COLLECTIVE
RUCPDO/DEPT OF COMMERCE WASHDC
RHEHNSC/NSC WASHDC
RHEHAAA/WHITE HOUSE WASHDC

UNCLAS SECTION 01 OF 02 MOSCOW 002901

SIPDIS

STATE FOR EUR/RUS,EEB/TPP/IPE
STATE PLS PASS USTR FOR SMCCOY, PBURKHEAD
USDOC 4231 FOR JBROUGHER, MEDWARDS, JTHOMPSON
USDOC PLS PASS WPAUGH

E.O. 12958: N/A
TAGS: [ETRD](#) [KIPR](#) [ECON](#) [RS](#)
SUBJECT: RUSSIAN POLICE RAID COLLECTING SOCIETY

REF: MOSCOW 155

SENSITIVE BUT UNCLASSIFIED. PLEASE PROTECT ACCORDINGLY.

11. (SBU) SUMMARY: On September 24, Moscow police raided the offices of the Russian Phonographic Association (RPA), a royalty collecting society for the music industry, including U.S. rights holders. The raid occurred just four days before the GOR's deadline for RPA to participate in the tender to accredit an official collecting society for all recorded music producers and performers in Russia. In spite of the raid, RPA representatives tell us they will still meet the deadline to participate in the tender. Nonetheless, the raid raises questions about the overall fairness and transparency of the process and whether a rival collecting society was trying to hinder RPA's participation. END SUMMARY.

RPA Raided by Police

12. (SBU) On September 24, police from the Investigative Department for the Southern District of Moscow raided the offices of RPA. RPA is the collecting society supported by the RIAA. It has been collecting royalties on behalf of foreign rights holders since 2004. The raid took place just four working days before the deadline for RPA to participate in a tender administered by the Russian Agency for the Protection of Culture (RosOkhranKultura). The tender will determine which collecting society will be officially accredited to collect royalties for rights holders in the future.

13. (SBU) Under Russia's new intellectual property law (Part IV of the Civil Code), the federal government is required to accredit entities to collect royalties for the main categories of rights holders, including one society that would be responsible for collecting royalties on behalf of recorded music producers and performers. The GOR accreditation process is supported by international recording industry associations, including the International Federation of the Phonographic Industry (IFPI) and the Recording Industry Association of America (RIAA).

14. (SBU) According to the police warrant, the raid was based on an informant's tip that linked RPA to an alleged purchase of 121 counterfeit DVDs at a local market in the Spring of 12008. According to RPA representatives, police investigators apparently applied an artificially inflated price to the contraband disks to satisfy the minimum monetary threshold for a criminal penalty. (Under the relevant section of the Russian Criminal Code, monetary damages in cases of DVD piracy must be at least 50,000 rubles, or about \$2000.) A criminal case was filed with the Ministry of Internal Affairs

on April 30, and apparently remained dormant until last week, when police raided RPA's offices.

¶5. (SBU) Police did not uncover any counterfeit DVDs at RPA's offices, but did confiscate several boxes of documents and one computer. While RPA representatives and the company's lawyer were present during the raid, the police did not allow RPA to document or record what the police were taking, in apparent violation of Russian investigative procedures.

International Associations Suspect Foul Play

¶6. (SBU) RPA, IFPI and RIAA representatives told us they believe the raid may have been arranged by one of RPA's rivals, likely a competing "rogue" collecting society that purports to collect royalties on behalf of rights holders, but never in fact pays out any royalties. In the view of RPA, IFPI and RIAA, the raid may have been an attempt to obstruct RPA's ability to make the September 30 filing deadline to participate in the RosOkhranKultura tender process. Despite the confiscation of some of RPA's documents and the computer, RPA representatives tell us that the company will still be able to make the deadline and participate in the tender.

Previous Harassment of RPA

¶7. (SBU) In the lucrative but shady world of collecting

MOSCOW 00002901 002 OF 002

royalties in Russia, this is not the first time that RPA has faced harassment and obstruction of its business activities. In January 2008, a few days before RPA was required to re-register as a collecting society under new regulations, RPA's managing director, Vadim Botnaruk, died from wounds following a brutal assault, which was the second attempt on his life in a three-month time frame (Reftel). Following Botnaruk's murder, RPA scrambled but still met the registration deadline.

COMMENT

¶8. (SBU) The timing of the police raid, a few days before the filing deadline for the collecting society tender, tends to confirm RPA, IFPI and RIAA'S suspicions that the raid may have been orchestrated by a rival collecting society. This is a profitable, and rough, business in Russia. While it is good news that RPA will still be able to participate in the tender, its representatives tell us they are concerned that the tender process may not be transparent. We will continue to monitor both the police case and the tender process closely.
BEYRLE